December 11, 2021

IPO NOTE | Sector: Capital Goods

Data Patterns IPO

Capitalising Opportunities

We recommend SUBSCRIBE rating on DATA PATTERNS (DPIL) IPO issue as we see reasonable listing gains given it being a) Indigenous, integrated and strategic electronic solutions provider, 2) innovation focused business models, 3) experienced management team with skilled workforce and 4) modern certified manufacturing facility enabling it to consistently offer quality and complex components allowing to build a robust relationship with its customers. We believe DPIL's design and build capabilities across the entire spectrum of strategic defence and aerospace electronics solutions at competitive prices and its ability to partner with customers through the life cycle of a product, from conception till deployment will help company leverage its operating efficiencies in the coming years.

Over FY19-21, given its well diversified product portfolio, consistent repeat orders from customers, healthy order book and proven execution track record, DPIL has been able to deliver Revenues/ EBITDA/ Adj. PAT CAGR of 31%/90%/169% respectively. As on 2QFY22, order book stands healthy at Rs5813mn (1.1x FY21 revenues). At upper end of the price band, this issue is trading at a P/E of 49.2x and an EV/EBITDA of 33.3x as on FY21 earnings.

Indigenous, integrated and strategic electronic solutions provider: DPIL has wide range of products focusing across the manufacturing value chain from industrial and test automation to automated test equipment for space systems to developing products and sub-systems for defense and aerospace systems through DRDO. Driven by new policies and government initiatives that are more predisposed towards procuring equipment from the private sector, companies such as DPIL that already have strong business relationships with DPSUs, DRDO and R&D & manufacturing capability to build end-to-end solutions are likely to emerge as winners.

Innovation focused business models: Since inception, DPIL have focused on in-house development and manufacturing capabilities lead by innovation and design and development efforts. Further, their ability to partner with customers through the life cycle of a product, from conception till deployment has allowed to be logical partner with customers as a product moves from development to deployment.

Experienced and qualified management team: DPIL has an experienced management team led by Mr. Srinivasagopalan Rangarajan (30 years plus). The company has 818 permanent employees including 500 engineers including 416 members in Design and Engineering department. The quality of management team has been critical in achieving the business results and that management's experience allows to make strategic and timely business decisions in response to evolving customer needs and market conditions.

Modern certified manufacturing facility: The in-house design and development capabilities are complemented by 100,000 square feet manufacturing facility located on 5.75 acres of land at the SIPCOT Information Technology Park, Siruseri, Chennai, which has facilities for design, manufacturing, qualification and life cycle support of high reliability electronic systems used in defense and aerospace applications.

Competition and risks: Key differentiators for DPIL have been vertically integrated electronics solution provider in defense and aerospace with in-house development and manufacturing capabilities. Key risk in our view would be limited customers base, dependence on government for orders as well as defense and space budget and huge requirement of working capital.

Reco	:	**SUBSCRIBE**
IPO Price	:	Rs 570-589
Issue Opens	:	14-DEC-21
Issue Closes	:	16-DEC-21

Issue details

Face value (Rs)	2
Issue Size*	Rs5.9bn
Offer for sale*	Rs3.5bn
Fresh Issue	Rs2.4bn
Post-issue M-cap*	Rs30.4bn
Issue type	100% Book building

* At upper price band

Share reservation (of net offer)

QIB	Not less than 50%
Non-institutional	Not more than 15%
Retail	Not more than 35%

Issue Manager

BRLM	JM Financial Ltd, IIFL Securities Ltd
Registrar	Link Intime India Pvt. Ltd.
Listing	BSE, NSE

Objects of the Issue

Prepayment / Repayment of borrowings	Rs608.0mnn
Funding for Working Capital	Rs951.9mn
Upgrading / Expanding existing facilities at Chennai	Rs598.4mn
General Corporate Purpose	[▪]

Financial Summary – Y/E March (Rs mn)

(Rs mn)	FY19	FY20	FY21
Revenues	1,311	1,561	2,240
Yoy growth (%)	NA	19.1	43.5
OPM (%)	19.5	27.6	41.1
EPS (Rs)	1.6	4.5	11.9
EPS growth	NA	173.3	164.0
P/E (x)	355.0	129.9	49.2
EV/EBITDA (x)	121.4	71.8	33.3
Debt/Equity (x)	0.5	0.4	0.2
RoE (%)	11.0	18.2	31.0
RoCE (%)	7.3	12.6	26.2

Viral Shah
Lead Analyst
shah.viral@ysil.in
(+91) 22 68850521

AMAR AMBANI
Sr. President & Head of Institutional Equities
amar.ambani@ysil.in

INVESTMENT THESIS

Indigenous, integrated and strategic electronic solutions provider

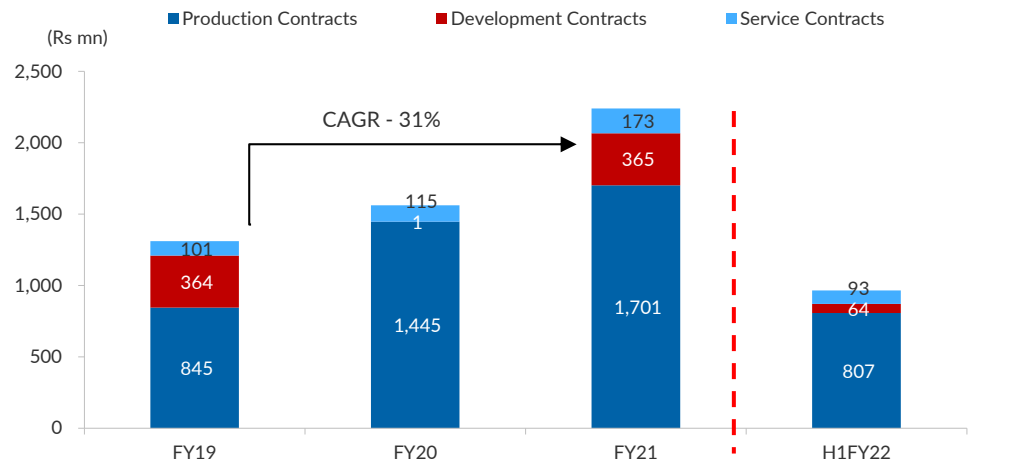
DPIL have wide range of products focusing across the manufacturing value chain from industrial and test automation to automated test equipment for space systems to developing products and sub-systems for defense and aerospace systems through DRDO. The company focuses on developing complete systems and sub-system solutions in domains such as radars, electronic warfare, communication systems, RF and microwave, Military COTS (such as VME and VPX processor boards, digital receivers, Input/output modules of many functions and form factors), avionics, missile and torpedo electronics, fire and launch control systems, space based systems and automatic test equipment.

Competition in the Indian defense industry is in a state of flux but moving towards consolidation and specialization. Driven by new policies and government initiatives that are more predisposed towards procuring equipment from the private sector, companies such as DPIL that already have strong business relationships with DPSUs, DRDO and R&D & manufacturing capability to build end-to-end solutions are likely to emerge as winners. With indian government's focus to enhance indigenization, DPIL is well positioned to grab opportunities which are now available to addressed.

Innovation focused business models

Since inception, the company is focused on in-house development and manufacturing capabilities lead by innovation and design and development efforts. As on Sep'21, the company had more than 500 engineers, many of whom serve in both design and development departments. They have in the past initiated development of several projects, such as military grade processor modules, cockpit displays, actuator controllers for missiles and torpedoes, flight control computers, digital receivers and Up/Down converters for radars, with an aim to utilize these components in subsequent projects. Subsequently, they have been able to utilize these pre-developed building blocks and sub-systems in the development of complete systems, thereby allowing for higher value addition while distributing development costs. Further, their ability to partner with customers through the life cycle of a product, from conception till deployment has allowed to be logical partner with customers as a product moves from development to deployment.

Exhibit 1: Development contracts translate into healthy production contract revenue



Source: Company DRHP, YES Sec

Exhibit 2: Products designed and developed by the company that are "future ready"

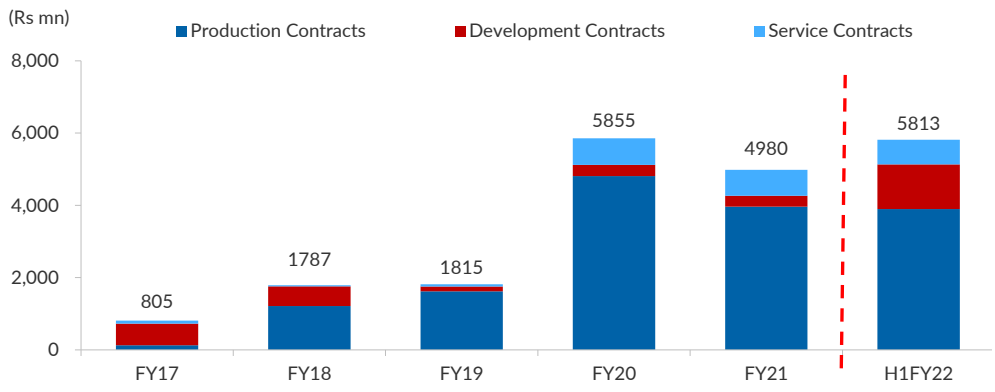
Product(s)	Details
Monopulse RF Seeker	Delivered prototypes to DRDO
X-Band Doppler Weather Radar	Prototype installed in Chennai for the government meteorology department
205MHz Wind Profile Radar for CUSAT	Installed at Cochin for a government owned university
Radar for Naval Utility Helicopter	Prototype delivered to LRDE
A Next-Generation Software Defined Radio	Prototype developed for DEAL
A Next-Generation Radar Warning Receiver	Prototype developed for DEAL
A Next-Generation COMINT	Prototype developed for DEAL
A Next-Generation ELINT System	Prototype developed for DEAL
Nano Satellite	Being delivered to industry and educational institutions

Source: Company DRHP, YES Sec

Sound order book across product categories supplying to marquee clients

The company has diversified products and services over the years backed by design and development capabilities, growing the order book from ~Rs8,054mn in FY17 to ~Rs5,813mn as on Sep'21. The order book is from several marquee customers in the Indian defense ecosystem, including the Indian government defense ministry, BrahMos, DRDO, the Indian government space organization, HAL, BEL and a DPSU involved in the missile space. It is currently engaged in the supply of critical component such as the launch systems for the ground based BrahMos missile launcher, flight and safety critical "take me home" displays for the Tejas, etc. to several prestigious defense projects in India, including the LCA, the HAL Dhruv, LUH and the BrahMos missile programme.

Exhibit 3: Healthy order book across product categories



Source: Company DRHP, YES Sec

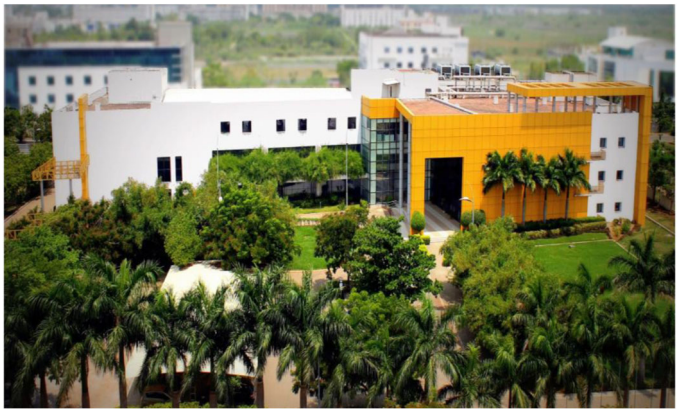
Experienced management team and skilled workforce

DPIL have a management team with extensive experience in the defense sector. The Promoter and Chairman and MD Mr. Srinivasagopalan Rangarajan, holds a Bachelor's Degree in Chemical Engineering and a MS in Industrial Management and Promoter and Director, Mrs. Rekha Murthy Rangarajan, holds a Bachelor's Degree of Arts from the Bangalore University and a Master's Degree of Arts in Applied Psychology from the University of Madras, and have been associated with the defense and aerospace electronics industry for more than three decade. The company has 818 permanent employees including 500 engineers including 416 members in Design and Engineering department. The quality of management team has been critical in achieving the business results and that management's experience allows to make strategic and timely business decisions in response to evolving customer needs and market conditions.

Modern certified manufacturing facility

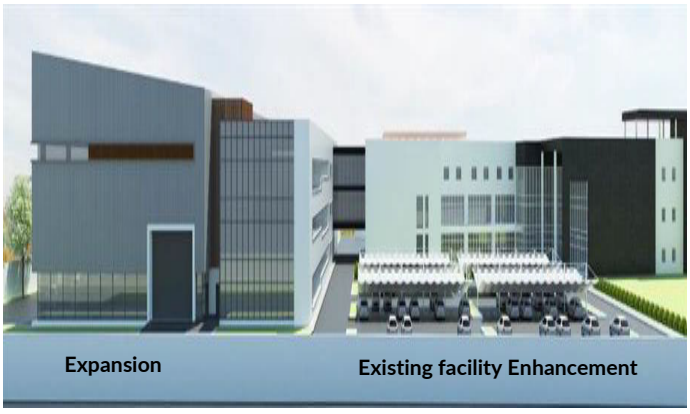
The in-house design and development capabilities are complemented by 100,000 square feet manufacturing facility located on 5.75 acres of land at the SIPCOT Information Technology Park, Siruseri, Chennai, which has facilities for design, manufacturing, qualification and life cycle support of high reliability electronic systems used in defense and aerospace applications. The place is certified for various standards across product life cycles, including for aerospace systems under AS9100D by TUV-SUD, IPC Standards for PCB design, DO 178B for software for airborne systems, Software life cycle processes and environment standards MIL-STD-810, JSS-55555 and EMI-EMC standard MIL-STD-461. The company is in process of upgrading and expanding the facilities, which will include acquisition of an additional ~2.8 acres of adjacent land for further expansion, large systems integration hangar, complete radar integration, electronic warfare vehicle integration, augmented environmental test infrastructure, multi ton material handling, additional EMS line and clean room for satellite integration.

Exhibit 4: Modern manufacturing facility at Chennai



Source: Company DRHP, YES Sec

Exhibit 5: Proposed facility expansion



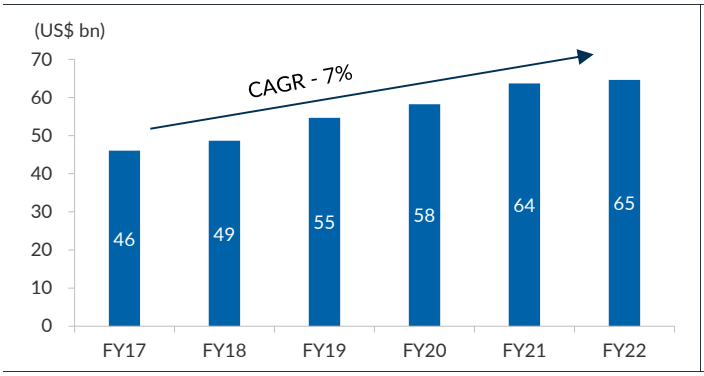
Source: Company DRHP, YES Sec

Evolution in Indian Defense Industry

The defense and space industry are strategic sectors and are resilient to economic impacts. They are largely affected by geo-political situation, political stance and national strategic plans. There is a structural shift in the defense budget with increased allocation for modernization funds, and approval of non-relapsable fund. The fund available to the defense industry participants during FY22 to FY31 is estimated at US$339bn.

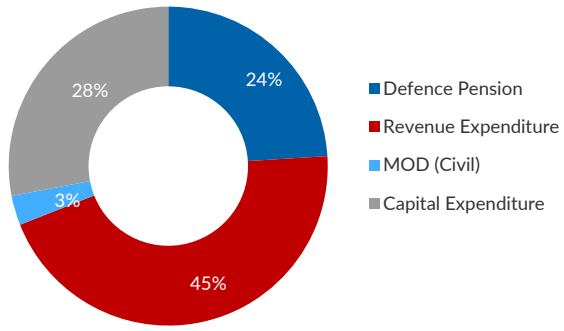
The Indian defense industry is at an inflexion point, with increased private sector participation being the way forward. During the early years, as defense spending and R&D capability was low, major military programmes were executed with the help from foreign OEMs. India continued to rely on foreign support; however, the onus shifted towards licensed production – especially of more technologically advanced platforms. The Indian defense budget has been growing at the rate of 7% in the past 5 years.

Exhibit 6: Defense budget grew at 7% CAGR (FY17-22)



Source: Company DRHP, YES Sec

Exhibit 7: 69% towards revenue exp & defense pension



Source: Company DRHP, YES Sec

The defense budget has 4 main components: MoD (Civil), defense services revenue, capital outlay on defense services and defense pensions, and not all of it is available to the defense industry participants. Of the total budget only capital expenditure and part of revenue expenditure is allotted to defense industry participants i.e US$24.25bn in FY22.

The government's latest policies seek to build greater self-reliance in Indian defense R&D and manufacturing through a combination of the Aatmanirbhar Bharat mission, DAP 2020, offsets and the upcoming defense production and exports policy. Whilst the onus has been on increasing prioritization for Indian company led procurement mechanisms, several other policies have also been initiated to simplify entry into the defense sector and devolving more freedoms in avenues such as export selection to indian companies.

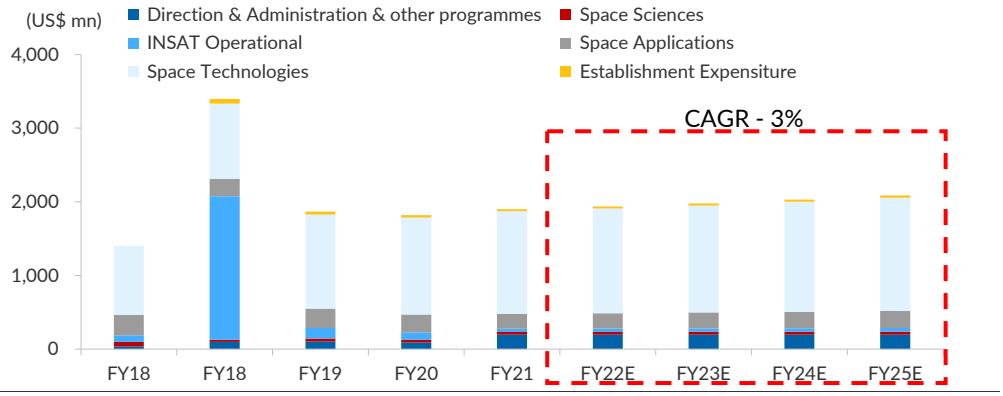
- **Aatmanirbhar Bharat:** Aatmanirbhar Bharat envisions promoting policies and regulations that leads to self-sustainment in key areas on industry, including defense, through a wide range of new measures including a defense production and export policy and import protection. The major measures under the ambit of Aatmanirbhar Bharat in defense are negative import list, budget allocation, corporatization of Ordinance Factory Board (OFB) and Foreign Direct Investments (FDI).
- **Defense Acquisition Policy 2020 (DAP 2020):** The DAP 2020 focuses on improving indigenous manufacturing by streamlining procurement processes and on introducing "innovation" oriented clauses to further prototype development in India. Other new measures include incentivizing foreign OEMs and service providers to set up their own manufacturing/ MRO facilities and a specialized category for "leasing" of equipment which could potentially speed up capability acquisition.

- **Defense offset:** Earlier policies did not concentrate on technology and R&D capability dispersion from foreign to Indian defense companies. The DAP 2020 aims to redress such deficiencies by shifting the focus away from "components" to "technology investments" and "export of platforms". Avenues for expanding offsets have been expanded in the DAP 2020, giving foreign entities direct credit in transferring critical technologies to the Indian industry. Though certain critical technologies such as hypersonic flight related technology, electromagnetic rail guns etc. has been reserved only for DPSUs and DRDO, the vast majority of technologies used in defense equipment are now open to private players.
- **Defense production and export policy 2020:** This policy is another ambitious step towards Aatmanirbhar Bharat and aims to achieve an industry turnover of US$25bn, including exports of US$5bn by 2025, doubling the size of India's aerospace and defense industry in a time span of 5 years

Commercialization of Indian space sector to drive growth

The ISRO revenue expenditure is forecasted to increase to ~US$2,086mn in FY25-26 on back of increased missions. ~US$132mn have been allocated as part of budget for establishment expenditure since FY19 up to FY21. ISRO's establishment expenditure has been increasing due to the incorporation of NSIL and IN-SPACe. There is a shift of focus of ISRO of being a key driver for new technology development which is reflected from the increased space technology budget by 56.7% in FY22 when compared to FY20 revised budget and ~14% increase when compared to FY21 budget.

Exhibit 8: ISRO revenue expenditure to grow at 3%CAGR (FY22E-25E)



Source: Company DRHP, YES Sec

Space industry is expanding with new space participants offering services which were previously offered by ISRO such as launch services, satellite operations and downstream services. The shift is driven by national space agency transitioning from being the sole player offering end to end solutions to be an enabler for private space players.

Key Industry Growth Drivers

- **Entry of private players coupled with Aatmanirbhar Bharat:** ISRO's efforts to enable domestic private players coupled with 'Aatmanirbhar Bharat" initiative will foster growth environment for domestic players. ISRO's model has evolved and now also involves external agencies to conduct multiple programmes and missions simultaneously. The 'Aatmanirbhar Bharat' initiative has distinct focus on domestic players which will drive prioritization of Indian participants over international supply chain for procurement. International players will remain eligible for the opportunities in case they have partnership with domestic players. Entry of private players in the market, the demand for manufacturing, testing and ground equipment will grow across system, sub-system, and component levels due to expansion of the customer base investing in space capabilities other than ISRO

- **Set up of NSIL and In-SPACe:** Department of Space is creating opportunities to engage with existing and new private participants for Indian space programme by evolving from supply-based model to demand-based model. NSIL was created for expansion of commercialization effort and integration of new space participants with Indian space programmes and exploratory missions. This has created multiple opportunities for private space participants.

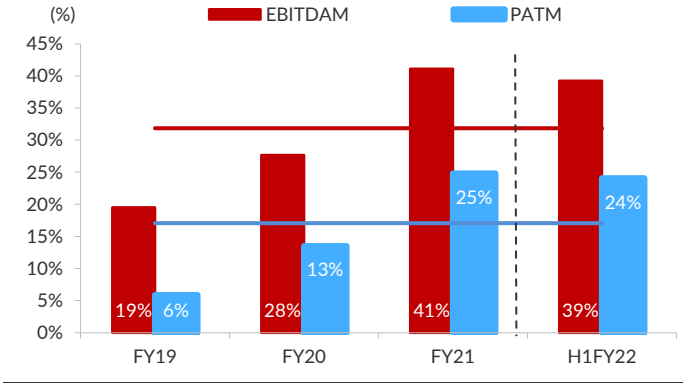
Exhibit 9: Key industry drivers

Market Drivers	1-2 Years	2-3 Years	3-5 Years
Satellite Manufacturing			
Increased Demand from Satellite operators for planned satellite constellations and planned exploratory missions by ISRO	High	High	High
Increased investments by government and private players on satellite development to provide adequate downstream services and Aatmanirbhar agenda	High	High	Medium
Increasing technology demonstration missions for testing new products, experimental payloads, and new technology development	High	High	Medium
ISRO`s GODCO model for satellite manufacturing through NSIL will increase the opportunity for domestic components and system manufacturers and system integrators	High	Medium	Medium
Ground Stations			
Demand for setting up ground stations within the country by service providers for providing connectivity service domestically utilizing the OneWeb constellation. Similar trend is expected for planned LEO constellations.	High	High	Medium
Increasing need for utilization of ground segment capacity at low cost through ground station as a service model	Medium	High	High
Established regulatory framework allowing private players to set up and operate own ground stations	High	High	Medium
Testing Equipment			
Increased exploratory and deep space missions, increasing the demand for new test equipment	High	High	Medium
Increasing end of line testing equipment for establishing satellite serial production capabilities	Medium	High	High
Increasing demand for testing equipment for launch vehicle electronics and structures as multiple launch service providers are still in their development phases	High	High	High

KEY POINTS FROM FINANCIALS STATEMENTS

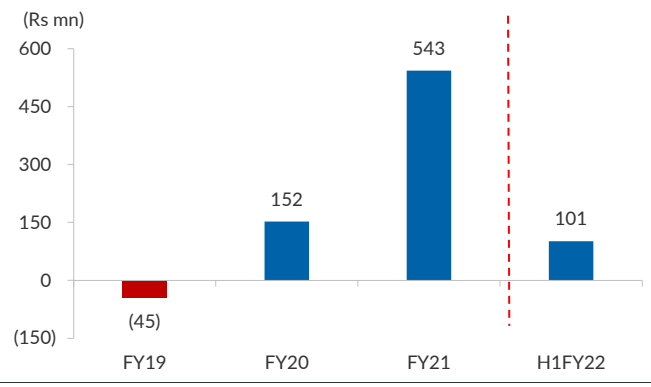
- **Order book grew from Rs1,815mn in FY19 to Rs5,813mn as on 2QFY22, growing at a CAGR of 40%.** Orders from production contracts stood at Rs806.7mn, development contracts at Rs64.3mn and Service contracts at Rs93.4mn as on 2Q.
- **Revenues increased at a CAGR of 31% during FY19-21, from Rs1310.7mn in FY19 to Rs2,239.5mn in FY21.**
- **Gross margin continues to remain healthy at 65-70% range over last 3 years.** EBITDA margins has grown from 19% in FY19 to 41% in FY21 owing to better revenue mix and rise in operational efficiency.
- **The return on capital employed has improved from 15.6% in FY19 to 28.5% in FY21.** Further, debt equity ratio stands comfortable at 0.18 as on FY21, respectively, as compared to 0.43 as on FY20.
- The strong financial position and results of operations have enabled them to invest in key machining, technology, quality control, infrastructure and in R&D.

Exhibit 10: Consistently higher EBITDAM and PATM



Source: Company, YES Sec

Exhibit 11: Steady improvement in cash flow



Source: Company, YES Sec

Exhibit 12: Relatively valuation

Company (Rs mn)	Market cap	Revenue	PAT	EPS (Rs)	Book Value (Rs)	P/E	P/BV	ROE
Data Patterns	**30,353.7**	**2,239.5**	**555.7**	**11.9**	**44.4**	**49.2**	**13.2**	**31.0%**
MTAR Technologies Ltd	73,943.0	2,464.3	460.7	17.0	154.99	141.5	15.5	9.7%
Astra Microwave Products Ltd	22,597.0	6,409.1	288.5	3.3	64.51	78.3	4.0	5.2%
Centum Electronics Ltd	7,218.1	8,174.3	120.4	13.3	173.14	42.1	3.2	5.4%
Bharat Electronics Ltd	501,207.2	141,086.9	20,997.6	8.6	45.39	23.9	4.5	19.0%
Paras Defence and space technologies ltd	28,509.0	1,433.3	157.9	5.6	52.98	131.7	13.8	7.6%

Source: DRHP, Company, YES Sec; CMP is as on 10/12/2021

COMPANY OVERVIEW

Incorporated in Nov'98, DPIL is among the few vertically integrated electronic solutions providers having in-house design & development capabilities with three decades plus of experience (including through erstwhile subsidiary) in the entire defense and aerospace platforms - space, air, land and sea. It has design capabilities across the entire spectrum of electronics solutions including processors, power, radio frequencies ("RF"), microwave, embedded software & firmware and mechanical engineering. ***Its core competencies include electronic design & development in hardware, software, firmware, mechanical & product prototype; functional testing & validation, environment testing & verification and engineering services opportunities***.

The company have end-to-end capabilities to build and deliver complete systems. ***Their electronic solutions are developed by specialist teams working on areas including complex 20+ layer printed circuit board ("PCB") designs, field-programmable gate arrays ("FPGA") based firmware algorithms***, all layers of software including operating system porting, device drivers, networking layers, application software, graphical user interface, cartography, signal processing, streaming protocols and waveform engineering.

The company's design and development capabilities have allowed to develop complete systems as well as sub-systems for various strategic defense and aerospace electronics solutions. ***These systems have found applications on various platforms and programmes such as the Tejas Light Combat Aircraft ("LCA"), the Light Utility Helicopter ("LUH"), BrahMos missile programme, precision approach radars and various communications intelligence("COMINT") and electronic intelligence ("ELINT") systems.***

Further it has invested in and developed a reusable building block model leading to capabilities/ competence across various product domains. This approach has allowed to achieve better margins due to spreading out of development costs over multiple programmes, in addition to saving on development time for new products. Several of the existing products or their component modules or building blocks are pre-approved by the customers, especially defense-sector public sector undertakings ("DPSUs") and government ministries and departments, also allowing the benefit of reduced lead times for development of new products.

With an order book of Rs5,813mn as on Sep'21, which has increased from Rs1,787mn as on April'18 growing at a CAGR of 40%; indicating a scalable business model. DPIL customer base ranges from government organizations involved in defense and space research to various DPSU such as BEL and HAL. The company has 818 employees with more than 500 qualified engineers, including 416 members in design & engineering department.

Its manufacturing facility consists of a 100,000 sq. ft factory built on 5.75 acres of land in Chennai, which has facilities for design, manufacturing, qualification and life cycle support of high reliability electronic systems used in defense and aerospace applications. The facility includes an Electronic Manufacturing Services ("EMS") line, clean rooms, board, box and rack level integration capability and environmental testing making them self-sufficient in requirement of high quality & complexity production.

KEY RISKS

High revenue dependence on limited customers

The company depends on limited number of customers as top 5 customer contributes ~86% of revenues in FY20. The loss of any of major customers due to any adverse effect due to exigent circumstances, macroeconomic or geo-political factors affecting the economy in general, or significant reduction in business may adversely affect the business, financial condition, results of operations and future prospects resulting into significant reduction in cash flows and liquidity.

Dependence on government capex

A decline or reprioritization of the Indian defense or space budget, reduction in orders, termination of existing contracts, delay of existing or anticipated contracts or programmes or any adverse change in the GoI's defense or space related policies may have a material adverse impact on the business, financial condition, results of operations and future prospects.

Huge working capital requirement

High level of working capital is required because the business activities are characterized by long product development periods and production cycles. Even where milestone payments are allowed, these must be backed by bank guarantees. Delays in payment under on-going contracts or reduction of advance payments due to lower order intake or inventory and work in progress increases and/or accelerated payments to suppliers, could adversely affect the working capital, lower the cash flows. Continued increase in the working capital requirements may have an adverse effect on the financial condition and results of operations.

Majority of business is through competitive bidding process:

Company obtains a majority of its business through a competitive bidding process. In addition to meeting bid capacity requirements, it may also be required to pre-qualify for the orders involving GoI Entities such as in relation to background checks and prior experience of the bidders. ***Increased competition may result in price reductions, reduced profit margins and loss of market share, thereby causing an adverse effect on the operations, prospects and financial conditions.***

Exhibit 13: Key Managerial Personnel

Srinivasagopalan Rangarajan	Chairman and Managing Director	He holds a Bachelor`s Degree in Chemical Engineering and Master's Degree (MS) in Industrial Management from the Indian Institute of Technology. He has been associated with the defence and aerospace electronics industry for more than three decades.
Rekha Murthy Rangarajan	Promoter	She holds a Bachelor's Degree of Arts from the Bangalore University and a Master's Degree of Arts in Applied Psychology from the University of Madras. She has been associated with the defence and aerospace electronics industry for more than three decades
Venkata Subramanian	Chief Financial Officer	He holds a bachelor's degree in commerce from Madurai Kamaraj University. He is a fellow member of the ICAI. He has over two decades of experience in the finance sector.
Vijay Ananth K	COO and Chief Information Security Officer	He holds a bachelor's degree in computer science from Manonmaniam Sundaranar University and a master's degree in computer applications from University of Madras. He has also served in the National Cadet Corps for three years. He has more than two decades of experience in software engineering and product management.
Desinguraja Parthasarathy	Chief Technical Officer	He holds a bachelor's degree in engineering (electronics and communication engineering) from University of Madras. He has 32 years of experience in Product Development.
Thomas Mathuram Susikaran	Senior Vice President-Business Development	He holds a bachelor's degree in engineering (electrical and electronics) from Madurai Kamaraj University and a master's degree of technology in electrical engineering from Indian Institute of Technology, Madras. He has over 21 years of experience in business development and marketing.
Nandaki Devi Ramachandracharya	Deputy GM and Management Representative-Quality Management System	She holds a bachelor's degree of engineering in electronics and communications from the University of Mysore as well as an advanced diploma in Software Quality Management from AmitySoft Education. She has also passed the Certified Software Test Manager examination. She has 22 years of experience in test engineering.
Manvi Bhasin	Company Secretary	She holds a bachelor's degree in business administration from the Invertis Institute of management studies and a post graduate diploma in management from Lal Bahadur Shastri Institute of Management & Technology, Bareilly.

Exhibit 14: Product Offerings

Products	Product range
Radars	Surveillance Radars, Weather Radars, Wind Profile radars, Tracking Radars, BrahMos missile seeker, Identify Friend or Foe (IFF) seeker
Electronic warfare suite	V/UHF monitoring receiver, V/UHF search receiver, Wide band signal processing unit, Next generation COMM EW receiver, Digital direction finder, Airborne radar warning receiver, Radar warning receiver
BrahMos programme	FCS for BrahMos – Indian army, Mobile Autonomous Launcher, Article control unit, BrahMos missile checkout
Avionics	Light utility helicopter cockpit display, Fixed wing cockpit displays, Next Generation Software Defined Radio (SDR) for fighter aircraft
COTS	VPX Multi core SBC, VPX Zynq MPSoC based quad core, High density DIU, Narrow band receiver, Power supply module, IO timing module
Oceanography	Primarily employed in the data acquisition requirements of the ocean resources
Automated Test Equipment	Development of ATE for critical Aerospace requirements for test benches for PSLV, GSLV and DRDO for validation of electronics on various platforms
Nano Satellites	Focused on building Small and Nano Satellites for Defence, Educational Institutes, etc

FINANCIALS

Exhibit 15: Balance Sheet (Standalone)

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21
Sources of Funds			
Equity capital	17	17	17
Reserves	1,312	1,518	2,061
Non-Minority Controlling Int.	0	0	0
Net worth	**1,329**	**1,535**	**2,078**
Debt	671	665	372
Deferred tax liab (net)	9	8	8
Total liabilities	**2,010**	**2,207**	**2,458**
Application of Funds			
Gross Block	420	444	460
Depreciation	58	112	136
Fixed Asset	**364**	**333**	**330**
CWIP	0	0	0
Investments	0	0	0
Net Working Capital	**1,645**	**1,874**	**2,128**
Inventories	867	794	737
Sundry debtors	1,029	1,156	1,559
Cash & equivalents	3	15	88
Loans & Advances	393	502	392
Other Current Asset	117	153	177
Sundry creditors	159	173	120
Provisions	70	126	146
Other current liabilities	536	447	560
Total Assets	**2,010**	**2,207**	**2,458**

Source: Company, YES Sec

Exhibit 16: Income statement (Standalone)

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21
Revenue	1,311	1,561	2,240
% Change YoY		*19.1*	*43.5*
Operating profit	255	432	920
EBITDA margins	***19.5***	***32.9***	***70.2***
% Change YoY		*68.9*	*113.2*
Depreciation	59	55	56
EBIT	197	377	864
EBIT margins	*15.0*	*24.1*	*38.6*
Interest expense	108	133	145
Other income	14	41	26
Profit before tax	104	284	745
Taxes	27	74	190
Effective tax rate (%)	*25.6*	*26.0*	*25.4*
Net profit	77	210	556
Minorities and other			
Net profit after minorities	77	210	556
Exceptional items	0	0	0
Net profit	77	210	556
% Change YoY	*(99.3)*	*(97.3)*	*(94.7)*
EPS (Rs)	1.6	4.5	11.9

Source: Company, YES Sec

Exhibit 17: Cash flow statement (Standalone)

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21
Profit before Tax	104	284	745
Interest	108	133	145
Depreciation	59	55	56
Other Items	(14)	(27)	(23)
(Inc)/Dec in WC	(289)	(264)	(190)
Direct Taxes Paid	11	28	190
CF from Operating .Activity	**(45)**	**152**	**543**
(Inc)/Dec in FA	(10)	(14)	(57)
Free Cash Flow	(35)	167	600
(Pur)/Sale of Invest.	14	29	29
CF from Inv. Activity	**4**	**14**	**(27)**
Change in Networth			
Inc/(Dec) in Debt	155	4	(273)
Interest Paid	(108)	(133)	(145)
Dividends Paid	(4)	(4)	(3)
Others	(21)	(21)	(21)
CF from Fin. Activity	**22**	**(154)**	**(443)**
Inc/(Dec) in Cash	**(18)**	**12**	**73**
Opening cash Balance	**21**	**3**	**15**
Others	-	-	-
Closing cash Balance	**3**	**15**	**88**

Exhibit 18: Du-Pont analysis

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21
Tax burden (x)	5.5	3.8	3.4
Interest burden (x)	0.1	0.2	0.2
EBIT margin (x)	0.2	0.2	0.4
Asset turnover (x)	0.7	0.7	0.9
Financial leverage (x)	1.5	1.4	1.2
RoE (%)	**11.0%**	**18.2%**	**31.0%**

Source: Company, YES Sec

Exhibit 19: Ratio Analysis

Y/e 31 Mar	FY19	FY20	FY21
Basic (Rs)			
EPS	1.6	4.5	11.9
Dividend per share	2.0	2.0	2.0
Cash EPS	2.9	5.7	13.1
Book value per share	28	33	44
Div. payout (%)	4%	2%	1%
Valuation ratios (x)			
P/E	355.0	129.9	49.2
P/CEPS	201.7	103.1	44.7
P/B	20.6	17.8	13.2
EV/EBIDTA	121.4	71.8	33.3
Dividend yield (%)	0.3	0.3	0.3
Profitability Ratios (%)			
RoIC	7.5	12.8	26.4
RoE	11.0	18.2	31.0
RoCE	7.3	12.6	26.2
Liquidity ratios			
Debtor (days)	287	270	254
Inventory (days)	300	257	204
Creditor (days)	55	56	33
Net working Capital (days)	23	20	14
Asset Turnover (x)	1.3	0.7	1.0

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YES Securities (India) Limited

Registered Address: 2nd Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 4th Floor, AFL House, Lok Bharti Complex, Marol Maroshi Road, Andheri East, Mumbai - 400059, Maharashtra, India.

✆ +91 22 68850521 | ✉ research@ysil.in
Website: www.yesinvest.in

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Details of Compliance Officer: Name: Vaibhav Purohit, Email id: compliance@ysil.in, Contact No: +91-22-6885 0278